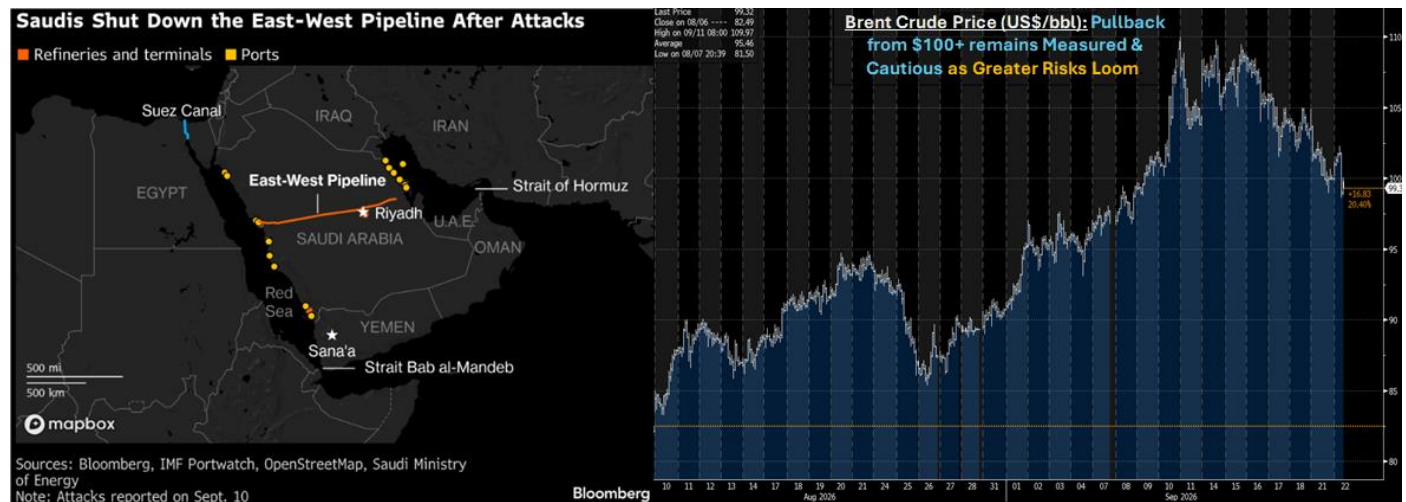


Why Saudi's Ship-to-Ship Oil Sales is Not a Game-Changer



- News that Saudi Aramco selling ~60 million barrels (MB) for delivery just outside of the Straits of Hormuz (for Sep and Oct loading) is welcome, but not a game-changer.
- To be sure, ship-to-ship loading outside of Hormuz helps to (partially) restore deliveries – interrupted by Hormuz and East-West Pipeline disruption – to refiners, .
- Moreover, this method of delivery helps to mitigate, if not circumvent, risks associated with navigating the Straits of Hormuz.
- Instead, setting up more efficient “crude runs” undertaken by vessel better-equipped to traverse the Straits of Hormuz.
- *Nonetheless*, this initiative may only provide **limited relief, not a sweeping panacea**.
- Fact is, 60MB over September and October amounts to no more than ~1.5MBpD of crude supply.
- Optimists may argue that *in theory*, this translates into as much \$5-8/barrel price reduction.
- *But in reality*, the **effective price relief may be just a fraction at \$2-3/barrel, if that!**
- Notably, as disrupted East-West Pipeline diversion of crude is only partially remediated.
- Whereas an **enduring deal with Iran to re-open the Hormuz** may be the more decisive trigger for Oil price pullback to be more emphatic and enduring.

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